

A NEW POLICY FOR LABOUR

HILDERIC COUSENS





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AN ESSAY ON THE RELEVANCE
OF CREDIT CONTROL

BY
HILDERIC COUSENS



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PREFACE.

THIS book is meant to be a topical introduction to the ideas, economic and social, of Major C. H. Douglas. I have made no attempt to expound or even enumerate them, so that further information must be sought in his books, "Economic Democracy" and "Credit-Power and Democracy," and in the *New Age*, where week by week they are discussed by Mr. A. R. Orage and other writers and by Major Douglas himself. All who are familiar with these writings will see how much I owe to them. After these I am most deeply indebted to Mr. Thorstein Veblen, who is much the most enlightening—and sometimes most entertaining—of American writers on economics and sociology. His work has been almost wholly analytical and critical, but is none the less valuable for that.

Necessarily my treatment of many, perhaps most, points is very summary, but because I do not develop subtleties it should not be concluded that I am ignorant or unmindful of them.

I have to thank several of my friends for criticism and advice.

July, 1921.

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CHAPTER ONE.

THE CHALLENGE OF THE CRISIS.

"An adherence to Conservative views is imperatively incumbent on all who would lead a blameless life in point of view of social repute"—or as revolutionary politicians.

THE fortunes of Civilization and the lot of the Common Man are at a low ebb. Here in England they still stand higher than on the Continent, but without any security that they will not retire to that mark. Signs and omens do not augur any recovery that is other than the prelude to a worse relapse. What then, is to be done?

If you read the speeches and writings of the foremost champions of Labour, they will tell you: either what the Labour Party is going to do when it gains a Parliamentary majority; or what blessedness

to expect when the Revolution shall be finally established ; or how the Trade Unions must reform themselves and one another in order to be capable of any considerable advance. On pressing your question, you will be answered as befits Liberalism. For the unemployed, work or doles, and in future, insurance ; to stimulate economic life, less taxation, especially for the apparatus of war ; peace with Ireland, Egypt and India ; a new foreign policy reposing on a reformed League of Nations ; and a programme for resettling the affairs and relations of most of the States of Europe ; generous subsidies for Housing and Education.

Among the more practically minded leaders, those who have day by day to face all sorts of problems in the Trade Unions, a feeling of helplessness is widespread. Politicians and revolutionaries are consoled by faith in an apocalypse not given to the poverty-stricken workman. Indeed, there is ample cause for despair. Between 1900 and 1914 Labour with great

political and industrial effort, could do little more than mark time. Prices rose faster than wages, and such palliatives as it wrung from the system seemed only to herald the coming of the Servile State. The War thrust into its hands a weapon which it failed to use. When unemployment was wiped out, no one took the trouble to prevent its reinstatement. The period since the War, after once again giving a favourable time for advance, in the spring of 1920, has, one year later, brought it to retreat, if not to disaster.

What hope do the three answers above afford us? As for the Labour Party: Notoriously its counsels are divided and its leaders not in harmony. The Trade Unions, its mainstay, are struggling for minimum terms, perhaps for bare existence. Its most active political constituent, the Independent Labour Party, is in upheaval, is more incoherent than itself. Many of its supporters view its policy with suspicion. Much of its energy it devotes to

irrelevant objects. Its strength lies in its mechanism.

Opposed to it is a concentration of Vested Interests, wealthy, confident and astute. Their appeal is to Conservatism ; their method, " Divide and conquer " ; their weapon, the worst features of modern society. Through their omnipresent propaganda and Labour's own tactics, large sections of the community are so deeply prejudiced that they believe their welfare is menaced by Labour and identified with the Interests. Against Labour is rallied the worst grades of the community, and the newly enfranchised women voters.* The Interests believe, without doubt, that, if by any chance we get a Labour Govern-

* Compare Mr. J. R. Macdonald's complaint, after the Woolwich by-election, about the " non-political vote." The women under thirty might show a greater political intelligence, but remain voteless, so that the majority of women voters are allies of the *status quo*. I make this statement without prejudice for or against arguments on the comparative capacity of men and women to make political judgments.

ment, the difficulties in its own ranks and in the affairs it must administer will be such, that a course of mild obstruction will achieve its speedy collapse. For to satisfy its supporters, the Labour Party must institute such a financial policy that a tax- and rate-payers' strike will follow. Will Labour win the next election or the next but one? And if so, what if it then be too late?

As for Revolution: Few with faith in Revolution believe it can be peaceful. In fact, the Communists tend to rely on the failure of a Labour Government to defeat opposition, and therefore must anticipate most strenuous opposition to themselves. A dispassionate survey of the actual and possible alinement of forces for and against a Revolution, of the dependence of this country on supplies from abroad; and of the very shadowy ideas for construction among the Communists, argues at the most for a turmoil degenerating into Reactionary Chaos. The Communists look for a Revolutionary Chaos. During it the

Common Man will stand no chance. Whereas now the established oligarchy generally rules with velvet glove on its iron fist, the prospective oligarchy of the "class-conscious proletariat" must raise the iron fist naked against both "bourgeois" and the proletarian who is not class-conscious, i.e., those Trade Unionists who are loth to sacrifice present advantages for a doubtful future.*

At present the actual functions of Communism are: to consolidate against any reasonable reform the adherents of the Vested Interests; and to split up the Labour Movement into warring factions at a time when unity alone could maintain

* See e.g. E. and C. Paul, "Creative Revolution," (1920), page 133, *et. al.* Communist Intellectuals, with a singular lack of humour, are trying to exploit Bergson, Freud, and other recent thinkers, as a buttress for their theories. Modern thought undermines them as much as it supports. "Dictatorship of the Proletariat" can be construed as compensation for an inferiority complex, and much revolutionary fervour is a present-day substitute for the religious fanaticism of years ago.

its position and prevent further inroads on the standard of living of its members. That the Communists have very many excuses for their actions does not exculpate them. To secure an advance Communism is as impotent as the "traitors" it assails, and, as its leaders say, now is not the moment for Revolution.

As for Preparation: Let us take Mr. G. D. H. Cole as a text. In his "Guild Socialism Re-stated" (1920), p. 193, he declares that the Trade Union Movement wants "fundamental reorganization in four respects." The basis of membership must be broadened to include and recognize the distinctive position of non-manual workers; the basis of organization must be changed to a rationally organized body, binding the whole of the Trade Union Workers into a single effectively directed force; internal government must be democratized by recognizing the workshop as the basis of organization; lastly, and preliminary to these, it must find a clear

and definite policy: (a) as to employers; (b) as to the State. How many years, we would like to be told, is this reorganization likely to take? Meantime the Trade Union Movement is too closely beset even to think about the matter, and find out the other weaknesses of the plan.

Arguments to be found in this book will, I hope, make clear the small value of the miscellaneous Liberal proposals.

What, then, is to be done? The Labour Movement must examine its facts, its theories, and its strategy, to see where they need revision. I believe that what follows affords a strong presumption that revision must be drastic. At least, I hope to draw attention to most dubious ideas now accepted as self-evident truths. If they are not discarded, the Labour Movement is doomed to impotence. It can become the chief factor in effecting a speedy transformation of our economic life—or so I believe. It has quite enough energy, quite enough enthusiasm, quite

enough idealism, but it wastes them. Attacking the wrong things, dissipating its fervour on the ends of the earth, worshipping ideals that have long lost their value ; it promises to fail through slowness of thought.

CHAPTER TWO.

ON AIMS AND METHODS.

Aim: To achieve the greatest possible improvement both in the standard of comfort and the status of the people.

A STANDARD of comfort is measurable in several ways. Variations can be readily detected by statistical methods, even when hampered by a monetary system like ours, which obscures physical economic facts. The Board of Trade, for instance, in 1912, showed that in our five chief industries wages had increased 0.31 per cent. between 1900 and 1911, while retail prices (in London) had risen 9.3 per cent. Such calculations show the efficiency of the Labour Movement and its methods. But

less complex enquiries, and sometimes common observation, give the basis for sound judgment. The health of elementary school children, for instance, seems to have been better during and just after the War than before, and the youngest children, born during the War and now entering the schools, are better grown than children of the same age some years ago. Such facts raise the questions: Why, when production was deliberately diverted from consumer's goods, did the mass of the people get more of them? and, Why did national economy, during at any rate most of the War, serve the people better than the national economy of peace?

One reason for rejecting Revolution as the solution of our troubles is that Radek and other eminent Bolsheviks declare that for many years *after* the Revolution the workers will have a lower standard of life than workers in capitalist countries. (K. Radek, "Programme of Socialist Construction," published by the Executive Committee of the Communist International,

Moscow, 1920, p. 19). This admission is well grounded. Since Poverty is a leading count in the indictment of the present system, it seems nothing but folly to take a course that will intensify it.

But besides Poverty there is Slavery. Improvement in status can mean nothing else than an increase in the individual's power of self-determination in economic and social relations. To-day quarrels about status rage over the choice of the sort of association which is to dominate the individual in the main departments of his life. Some would have the political State supreme, both directly and indirectly through its control of other associations. Others prefer Industrial Unions or One Big Union, others a hierarchy of Soviets. The party in power wants Trusts. Advocates of Guilds generally reject the idea of one supreme association and want sovereignty divided up among several.

The critics of the current system unite in protest against the disfranchisement of the individual. He has to obey the Trust

on pain of starvation, but has no voice, or rather vote, in conducting the Trust. They assume quite rightly that people naturally associate with one another to form groups, and that without association the business of the world cannot be carried on. But then they go on to urge that the grievance is remedied by giving a person a vote, or several, for Parliament or for a Guild or for a Soviet or for a Consumer's Council or for a Co-operative Society, or for several of them at the same time. And that in return for this privilege of voting for a committee from time to time, Parliament, Guild or Soviet gets a very proper control over him. Now, actually, no association which is not small, temporary and restricted in purpose, can work except by oligarchy, by the concentration of powers in the hands of a few members who become indispensable, irresponsible, and permanent. Democratic control, that is, control by the majority, in so far as it functions at all, only checks flagrant abuses and secures adherence to a ten-

dency in policy. The minority gets little consideration from either majority or oligarchy, unless the association is strictly voluntary. Guildsmen in particular have hitherto thought that freedom can be secured if there is a plurality of associations—membership being compulsory—each able, in default of agreement, to go on strike to defend its interests. Only by a similar power to go on strike can the individual defend his interests against an association. Trade Unions gain the power to strike by accumulating funds which give them a claim to so much of the real income of the community. Individuals need similar resources. The Vested Interests are powerful because the individual is economically dependent on their will and pleasure. The experts and committees, which are to run the Socialist Commonwealth, as currently described, will hold the same monopoly. The only terms on which the Common Man can maintain his freedom is an irrevocable claim on the income of the community.

Methods.—The business of the Labour Movement, both industrial and political, is to realize as much of its aim as soon as it can ; to advance without delay. Its business is *not* to “gain a victory” or get a Labour Government or convert itself into a “Grand Old Party,” or do anything which is not a necessary preliminary to that end. The end can be reached only if it chooses its methods aright. If in the past sporadic strikes for higher wages cost more than they gained, they are *prima facie* doubtful tactics. If higher wages, let us say, do not bring a higher standard of comfort, they are wrong tactics. But experience does not avail under new conditions, so that the chief criterion of strategy and tactics must be their plausibility, their likelihood to do what is wanted. They cannot be decided on without an analysis of the present system and its tendencies. Lacking an adequate analysis, Labour will use the wrong instruments at the wrong time in the wrong place.

Up to now the Labour Movement as a whole has been content to see that the results of the present system of economic life are bad, and to conclude that the system itself is wrong, without troubling to be clear about where it is wrong. Its foundation has been indignation and protest. Some sections of it, it is true, have held convictions on this question, and have spent and are spending effort to persuade it to share them. The Fabians urged their doctrine of Rent, but the practical result of Fabianism was an agitation for administration by experts, suitably shrouded with Democracy, to be introduced little by little, if not lump by lump. This did not appeal to sufficient people to secure its establishment, and after twenty years the Movement reacted from it. Now, when Collectivism, after ten years of this reaction, looked like being expelled, the Marxists (Communists) are redoubling their efforts.

The gist of Communism as a present policy is obstruction ; the gist of Com-

munism as a future constructive policy is Collectivism ; and, naturally, for Marxian theories are almost wholly critical. The sentiment, not to say mysticism, of the non-economic parts, has over-flowed unconsciously into the economics. Their ostensible basis is the England of adolescent capitalism, before the joint-stock company had grown up or the modern bank been heard of. They are largely derived from earlier English writers, but their foundation is the handicraft system. That is the basis of the Labour Theory of Value, the Right to the Whole Produce of Labour, and much of the rest of it. Our current "orthodox" economics, be it noted, rests in the same way on the XVIIIth Century.

The Communists, therefore, must get their constructive ideas elsewhere. Their principle is that these will develop out of conditions after the Revolution. The fact, to judge from the Russian experience and the writings of such of them as have sketched proposals, will be that Communism will comprise a newly polished

edition of present superstitions—centralized Collectivism with experts paramount, a “tonnage mania,” and a crude species of scientific management; the whole well stitched with as naïve a disregard of function as ever pleased a Jacobin or made a Guildsman swear. “Trade Unions,” says M. Lucien Deslinières, “won’t be necessary.” (“The Coming of Socialism,” B.S.P., 1920, p. 21.) Meanwhile, the Guardians of the Vested Interests, exploiting the Communist agitation in order to consolidate their position, bank on it smothering any policy that now or within a reasonably short time could oust them from their power.

We may take it as an axiom that if Labour can choose between several methods which promise to secure its aims, the most efficient and therefore the one to be chosen is that which will enlist most support and provoke least opposition, and/or will cause the least loss, confusion and upheaval when applied. A programme involving confiscation of income will meet

more resistance than one which does not. A programme involving change in the supervision of productive processes will cause more friction than one that does not. A programme that involves incessant strikes is less efficient than one that does without them. If, without strikes, change of control, and confiscation, you can get what you want as well as with them, it is lunacy to cling to them because they have figured in tactics and strategy for a hundred years.

CHAPTER THREE.

THE PRE-EMINENCE OF FINANCE.

These propositions, for obvious reasons, cannot be discussed at the length they merit. The notes are meant to do nothing more than prevent certain misconceptions and suggest some arguments.

(1) *Economic life has two sides: production and distribution of the product.*

Production includes all processes, whether necessary to an ideal scheme or not, by which goods and services consumable by individuals are put where they are buyable. Distribution is effected by purchasing, and depends on distribution of purchasing power to the individual or sometimes directly to an association, e.g., a municipality, acting on his behalf.

(2) *Production has two sides : industry and finance (business).*

Because money and finance were invented to facilitate production and distribution, it does not follow that they still play a subordinate and negligible part in economic life. Finance has been advancing in importance by geometrical progression. Nor is finance to be neglected by Labour because it is mysterious, that is, difficult to understand, and certainly not because it is an unsuitable subject for an Albert Hall demonstration.

(3) *Finance controls the direction of industry ; industry is the indispensable condition of finance.*

Therefore, control of finance means control of industry, and *therefore*, the object of Labour's attack should be finance, not industry.

Without the concrete facts of industry, the skill, energy and goodwill of the workers and managers, and the equipment and raw materials, finance could not exist. But given that foundation, it not

merely exists, it controls. Production cannot be carried on without some means of balancing debts ; hence the invention of money. Nor, nowadays, can it be carried on without Financial Credit : settlement of present debts on the strength of other settlements in the future. It follows that whoever can advance or refuse Financial Credit controls industry. In so far as the controllers discriminate between one industry or enterprise and another, in so far as they vary the price they demand for their services, in so far as they encourage maximum charges for minimum supplies, to that extent they directly influence the quality and the quantity of goods and services. Look at the recent fortunes of the Dunlop Rubber Company, or the complaint of the National Union of Manufacturers.* This control rests with the banks, discount houses, trust companies, investment houses, etc., but chiefly with the first. It is largely futile to attempt

* See (1) *Forward*, 26th February, 5th March, 1921 ; (2) *New Age*, 24th February, 1921.

to control the processes of industry. As with the seized metallurgical factories in Italy in 1920, suspension of their credit made them valueless.

Some Bolsheviki, e.g., Bukharin ("Programme of the World Revolution," p. 40), agree that in a Revolution the first thing is to seize the banks; but he has no use for Credit—which explains in part why Russian industry is so unproductive. In this country we have generally been urged to administer or nationalize land, mines, canals, beer, electricity, Universities, milk, shipping and houses, before we even think about banks. This is natural perhaps, because milk and slums are easier to talk about than the Bank Rate.

(4) *Finance affects not only the whole public as consumers, but both the masses of the workers in industry and also the technicians and industrial organizers.*

Therefore, a policy aiming at Financial Control will meet more support and less opposition from these two classes than

one which aims at direct industrial control.

The whole body of workers depends on Finance for the amount of employment open to it. If firms meet with difficulties in getting loans or have to pay a high price for them, their activities are restricted. The National Union of Manufacturers, in a resolution last February, declared that "a high Bank Rate restricts national industrial expansion, burdens industry for many years with high interest charges on capital . . . and is thus responsible to some considerable extent for the unemployment existing in this country to-day." Finance also affects the sort of employment offered. A cherished doctrine among "orthodox" economists is that, at any rate in this country, bankers only attend to the security offered them for loans. This is inconsistent, not only with the attention they pay to reports of trade prospects, but with admissions made by leading bankers themselves. Of the United States last year, the *Statist*, 11th December, 1920, p. 1126,

wrote: "A curbing effect has been exercised on trade and commerce in general. The situation is, in effect, somewhat akin to that with which we have recently been confronted in the United Kingdom . . . and bank loans have been restricted to industries that might be classed as essential to the national welfare," i.e., as the bankers thought fit. The agricultural interests opposed this policy (same article, same page), with reason, for many of the farmers have been wellnigh ruined.*

Changes in the levels of wages and prices come from the same source. As wages rise slower than prices and, either by unemployment or reduction or both, tend to fall faster, the workers lose both ways. Hence comes the present industrial trouble. The alternative to a fall in the

* On the results of the centring of English banking on London, see the *Economist*, 21st May, 1921, p. 1037. There seems no escape from this dilemma: (A), if the bankers do not control the direction of industry, they are not using properly the vital mechanism they operate; (B), if they do, they are not the proper persons to be entrusted with it.

miners' wages is unemployment and the closing of pits ; and so with every trade.

The technicians, who have a definite interest and right in the control of the processes of industry, are similarly affected. What is more, they must be carefully kept from undue cost cutting or undue increase of output. For if all the industries in this country were run for six months to their maximum capacity with maximum economy, not merely would profits sink to zero, but owing to the operations of the financial system, they would all stop because no one could buy what they had produced. The practice of super-production in 1919 and 1920 is partly responsible for the present depression. They are therefore systematically prevented from exercising all the wit they have ; and Labour is forced into backing this restriction with "ca' canny," opposition to dilution, etc. They have, therefore, an interest in a reorganization of finance though they do not now realize it. But they also have an equal interest in repelling

any attacks on their status and activities on the ground of workshop control or industrial democracy.

The backbone of the opposition to Nationalization and committee control is the industrial organizer, whose efforts are justly assigned as the decisive factor in building up the industrial equipment in the past century. That without the technician and the worker he is helpless does not discount his importance. Though commonly spoken of as a capitalist, and though the financier and the industrialist often enough coincide, in view of his different activity, different outlook, and different social value, the industrialist should be distinguished both from the shareholder and the financier. Under well-developed finance he tends to be reduced to dependence, to managership, and sometimes realizes the fact (cf. the resolution just quoted). He may be a multi-millionaire and an underling at the same time (a thing notorious in Standard Oil and the United States Steel Corporation). But he

will remain a staunch ally of finance unless and until the Labour Movement presents a programme that will not reduce him to a nonentity and will rescue him from the mortgage in the bank vault and the man "higher up."

(5) *Financial control can be attempted at almost any stage of economic life : whereas industrial control can only be attempted during a boom.*

Almost the only persons who have serious hopes of good springing from industrial depression are those committed to the theory of increasing misery followed by a triumphant Revolution. In the present crisis the Labour Movement is simply on the defensive, and has no great success at that. Most Labour leaders are without hope, some of them admit it even in public, and the only policy they have as an alternative to graceful surrender is maximum obstruction. When in a boom the demand for labour is active and wages are rising at least nominally, the power thus given is paralysed by lack of desire for vital

advance. But the financial system works smoothly all the time; either much business at a cheap price, or less business at a high price. In a depression, in fact, it ought to be easier to persuade people of its inadequacies, and especially the aforesaid industrialists whom it is hurrying to the bankruptcy courts.

(6) *Finance is now almost a monopoly held by a few persons.*

This is true of England as well as of the United States, France, and Germany. While details and items in financial operations are usually in the hands of paid officials and are carried out through many apparently independent concerns—especially in the United States, where banks do not have branches—general policy and sometimes details in important transactions lie with small groups of leaders, who dominate through their own wealth, their “key” positions, and the connexions secured by their personal character. They are not necessarily titular heads of institutions.

On the contrary, some of them deliberately avoid publicity.

We have a Money Trust which no Treasury regulation of the "Big Five" will (or wants to) kill. Gentlemen's agreements, be it remembered, are just as effective as formal mergers. As long ago as 1912 the Pujo Committee found that the Morgan group with its allies controlled at least one-third of the economic activity of the United States.* Most efforts to improve the banking machine, e.g., Government supervision, maintenance of the gold standard, the American Federal Reserve Act, strengthened the banking monopoly. Trusts and cartels are now primarily financial. Thanks to XXth Century development in finance, XIXth Century trusts are pigmies compared with those of to-day. Anti-trust legislation on which the Americans rely, has failed completely, partly because

* House of Representatives Committee on Banking and Currency, 1912-13. Pierpont Morgan admitted his power, but protested to an unbelieving public that it was never abused.

the Governments that administered it were owned by the trusts, mainly because its objective was industrial.

(7) *These people control the home policies of our own and other Governments.*

Economic power precedes political power. High finance has the Government in its pocket, because it keeps its political leaders and the press, because it can help or hinder public finance, can manipulate the country's economic life, and maintains close personal friendship with the politicians. It is an open secret that certain financiers have access to members of the Cabinet at any hour they choose. If by any chance a Government inimical to their interests were installed, they would either manoeuvre it into supporting them—of course with the best of intentions—or blockade it. They can sabotage all attempts to oust them, unless their opponents have got the solid support of most of the powerful sections of the community—not only of a majority counted by heads—and are able to replace the present

system of finance by a different and equally efficient one.

(8) *Command of home policy carries with it command of foreign policy.*

The Labour Movement spends a great part of its energy in protesting, resolving and conferring on foreign affairs. Indeed, many of its leaders seem to think of World Diplomacy first, and their poverty-stricken adherents second or third. Protests may mitigate or camouflage some symptoms of a foreign policy. Even so, they generally prefer the sensational to the important. But as a policy operates in many ways at once, the attack is both misdirected and weak. Deputations and platform oratory cannot, either at the same time or in succession, deal with Ireland, Russia, Poland, Germany, Hungary, Roumania, Italy, Nigeria, Kenya, Nauru, Yap, Persia, Mesopotamia, Anatolia, Thrace, Korea, Shangtung, India, Armenia, Georgia, Borneo and Putumayo.* It may be desir-

* Problems simultaneously demanding attention in the Spring of 1921.

able to "arouse public opinion" on these weighty and complicated problems. But meanwhile the disease will probably break out in half a dozen other directions, and will certainly not be cured. To change the metaphor, Labour rubs the place where it has just been hit and then wonders why it is promptly hit again somewhere else.

(9) *Financial interests more and more extend abroad: (a) into other industrial countries; (b) into undeveloped countries.*

This expansion means far more than that Mr. Jones, of Brixton, or Mr. Smith, of Birmingham, puts some of his savings into New York City bonds, or buys a few Rio Tinto shares. Its importance comes from the fact that financiers controlling large resources use them to promote new enterprises, or to buy up old ones or to lend them in bulk to companies, municipalities or governments abroad, so that their interests in the behaviour and fortunes of these institutions are both great and powerful. Both Mr. Jones, with his bonds, and a London banking

house, with large holdings in Galician oil fields, are after profits. The vital difference for the English people is that generally the former cannot protect his interest, while the latter can and does in many ways.

Economic writers, both socialist and non-socialist, have been much exercised over the causes of investment of capital abroad, the chief way in which finance becomes international, and over the results that come of it. Agreement on these questions has not been reached, but it is clear that it arises, not from any superfluity of wickedness on the part of financiers, but from some characteristic or other of the present economic system. As to its results, the conclusion seems to be that either the system or the Common Man will have to be sacrificed.

Its chief benefit is alleged to be the stimulation of maximum productivity in the world; especially as foreign investment of capital in a developed country

usually brings about an equivalent investment by that country in an undeveloped one. The Common Man appears on a short view to gain from capital export—thanks to one of the paradoxes of our economic life. By putting forth effort, presumably for the benefit of foreigners, he does not, at any rate immediately, add to the wealth of his own country, but through keeping his employment gets an income that enables him immediately to buy a slice of such wealth as there is in it; in other words, the cost of living goes up but unemployment is decreased. Consequently, a *moderate* indemnity would be a boon to the German workers.

On the other hand, the people in the countries thus being developed need not benefit. The sufferings of primitive races in process of being civilized are notorious, while the people of places like Argentina often live wretchedly—few consumable goods and very high prices—while or because “wealth” is being showered upon them.

(10) *Expansion* (a) tends to produce international agreements between financial interests, which can culminate either in an international trust or in a few rival trusts.

An international trust arises partly through expansion pure and simple, partly through alliances between national groups. Community of interests between the financiers of two countries gives them an incentive to combine. Then, because a foreign group does not want to be hampered in its operations, it takes the precaution of linking up with the masters of that place, i.e., the native financiers, who stand to gain in that they will increase their power to maintain their position. The policy of a Government, therefore, is now often determined by forces that spread far beyond the frontiers of its State. The motive force, for example, behind the antics of the Supreme Council is International Finance rather than stupidity combined with malice, as sentimentalists believe.

At present most of the world is divided

up between the American, the Franco-British, and the German money lords, summarized under the names of Morgan, Zaharoff, and Stinnes. Something more than a rumour suggests that the third is trying to come to an agreement with one of the others. Now, if the two leading groups agree, we shall have an International Trust ; if they do *not* agree, we shall have a struggle. Both will be bad, and present odds are on the second.

(II) *Expansion (b) tends to international financial rivalries : so that Governments have to underwrite the enterprises of their respective citizens.*

This proposition is amply proved by the history of the XXth Century. The chief benefit nowadays expected from the acquisition of colonies, mandates, and spheres of influence is a market for the purchase of raw materials and for the sale of constructional goods. The present French proceedings in Morocco illustrate this. But despite the most active steps to manufacture a supply of the former and a

demand for the latter, limits are imposed by the size and habits of the populations in the areas thus exploited. What is more, when a sufficient dose of capital has been administered to a community, it begins to cater for its own wants, and may even join the overcrowded ranks of would-be exporters, e.g., India, Japan, the United States; so that the competing industrialists face an ever threatening contraction of their markets.

(12) *Increasing co-operation between Governments comes of increased international organization of Finance.*

Therefore, the Labour Movement shall cease to support the League of Nations.

The League of Nations was installed to underwrite the Treaty of Versailles, i.e., to oversee Franco-British Finance. So far its chief use has been to deflect a great deal of the energy of the potential enemies of Finance by offering them a subject for unlimited oratory and emotion. Otherwise its complete success has been balked because the American "Invisible

Government" has had suspicions of its value to them. Not that American Finance has not looked upon it with a certain benevolence—an interest illustrated when a New York paper gave the news that a Polish Minister seeking to raise funds in America for his Government assured a United States official that Poland would satisfy all scruples of the League, and headed the item, "Poles will meet Wall Street Requirements." The lesser States in the League are members mainly because they might be squeezed if they weren't. Only States like Argentina which happen to have a pull against Europe can show any independence. If America joins this or some reformed League, it will be evidence that the experiment of an International Trust is going forward. Labour, in backing the League and striving for its readjustment, is once again mistaking for a cause what is merely an effect.

(13) *One result of present development is an International Money Trust.*

This is already adolescent, but may

never become adult. Latterly a certain community of interest has grown up between the leading rivals, but the Standard Oil quarrel in and out of Europe seems, among many things, to presage conflict, not co-operation. There are grounds for thinking that the present industrial depression is the result of a concerted move by International Finance.

(14) *The alternative is a World War, with England and the United States as principals.*

Though it is very improbable, yet it is not impossible, that the War and the Trust should afflict us at the same time. For economic activity both within an area and between several areas may dwindle while Finance continues to flourish. This is clear from the present state of Central Europe, and during the mitigated collapse of severe depression anywhere. Nor do national feuds obliterate well-grown class interests. Notoriously in the late War

the financial and military castes in the Entente and Central Powers by no means wholly forgot their mutual ties.

But the urgent question is, which alternative will prevail? Finance operates by and through a certain system. This it can manipulate, but cannot change without destroying itself. If, as we have said, the system cannot get along without continual expansion, the best-laid schemes of Finance for securing peace through a Trust must come to grief. Faced with the alternatives of a war or a change in the system carrying with it the doom of financial monopoly, Finance will naturally choose the former—and is in fact promoting it, though it cherishes a faint illogical hope of stabilization. Several writers have argued that the whole economic system is so full of flaws that no adjustment will save it from collapse. Such, indeed, is the faith of those who expect Socialism through catastrophe. But the catastrophe of a world war would be most unlikely to bring forth anything but desolation.

Bound up with the rate of expansion are the fortunes, not only of financiers, but of the industrialists, traders, shareholders and workers, who live by producing, directly and indirectly, for the export market. Threatened with bankruptcy, impoverishment, unemployment, starvation, through a failure in the demand, these groups unconsciously and perhaps consciously will welcome, may even clamour for war. They will break through the cobwebs of sentiment and the League of Nations and attack their rivals.

Then "Capitalism must be destroyed" says the Labour Movement. If it sticks to the methods hitherto in use, it will either accomplish nothing or produce a civil war, maybe with an international war thrown in. Civil war or international war—nothing but a choice of two evils, unless —.

The two chief competitors are the United Kingdom and the United States. Each has already a productive *capacity*

almost equal to the demands of the world outside. This capacity, of course largely unexploited, is still growing. With further supplies coming from Japan, Germany, France and other smaller exporters, they can do nothing but compete ever more strenuously, until one or other, reaching the brink of stagnation and disaster, precipitates a war—that immediate and prospective security for sales.

The motive, of course, will not be so naked, and the occasion will be chosen with the utmost decorum. War will be declared in the interests of Humanity and Justice. Pretexts abound. Among the more obvious are the Irish question, the Japanese question, the oil question, the debt question, perhaps presently the coal question, and Entente policy in Europe. Hate propagandists will have an easier task than in the late War. The liberty-loving and generous English can inveigh against the treatment of negroes, the repression of Labour, the mishandling of Haiti, the childish intolerance of “blue

laws"* ; while the liberty-loving and large-hearted Americans can denounce the recent history of Ireland, Egypt, India and Central Africa, and the "slickness" of English diplomats. These things are

* "Blue Laws" is the American term for legislation such as was tried in the XVIIth Century in England, and more thoroughly in Scotland and New England, in order to enforce obedience to a narrow puritanical standard of conduct in the details of life. One colony in New England forbade the making of mince pies ; another, the playing of any instrument of music other than the drum, the trumpet and the jews' harp. Sunday was maintained as a day of gloom, when all business and pleasure had to be suspended. The word *blue* has been said to derive from *bloody*, referring to the barbaric penalties for transgressing these laws. The spirit is not quite dead yet here, but in the United States it seems to be taking a new lease of life, and is spread far beyond what was New England. Prohibition is, of course, justifiable on many grounds, but undoubtedly fake puritanism animated some of its advocates, who are now transferring their energies to tobacco, tea and coffee. By-laws restraining citizens from playing cards or pianos on Sunday, smoking in the street, wearing skirts less than so many inches long, and, I believe, even staying up after a certain hour at night, are found in a surprising number of places. These examples could be multiplied.

not the roots of the quarrel; were they removed others would be found. Some of them are the fruits of the quarrel. Hence to declare that an Anglo-American war can never take place, to urge sweet reasonableness over super-dreadnoughts is no more useful than to write leading articles demanding the destruction of Capitalism. The sentiments are admirable; like so many admirable things, they are useful only to be looked at.*

Some people look away from the Atlantic to the Pacific. Japan with its teeming millions closely confined is to fight America for the right of entry to California, Mexico or some other empty place. But the population problem can

* I wrote this section before the conference of the Powers on disarmament was proposed, and leave it unaltered. While the objects and necessities of general policy remain the same, little is gained for the cause of Peace by an all-round reduction of the number of (presumably obsolescent) capital ships. Magnitude will not ensure supremacy for one navy, nor restriction withhold it from another. The technique of naval war seems rapidly changing; and estimates can always be faked.

be solved otherwise. In fact, the Japanese Government has sent a commission to Europe to investigate birth control and, with some encouragement, would probably deal with Japan's yearly increase of 700,000 in a short time. Further, it is incredible that the Japanese would be such fools as to challenge the far greater man-and-machine resources of the United States, unless assured of at least a most benevolent neutrality by another first-class Power, i.e., England. But Japan is a menace to the peace of the world for the same reason that England is, or the United States, which has no surplus population problem. For Japan too is faced with the necessity for increasing exports and the fact of a contracting market.

But are we to put our faith, as some people do, on international cartels as the means whereby competition will be checked and international ties strengthened, so that another war will be prevented? Before the late War at least 114 of them were in existence, and French, German and

English concerns were members of the most important. Undoubtedly they achieved fair success in restraining trade, but they covered only a fraction of international relations, and availed nothing against the drift of national economic necessity. What is more, stability and permanence were not their leading features. At present these cartels have not been restored. To be of any use they must develop far more in the future, but unlike internal cartels the further they spread over industry the weaker they will become. Finally, their members are in the hands of the Financial Hierarchy, which has the conclusive say on questions of policy.

Finance being thus at the heart of the chief problems Labour seeks to solve, analysis must be carried further into the mechanisms by which it operates. The following propositions will indicate the gist of what I believe to be a correct and adequate analysis: namely, that given in "Economic Democracy" and "Credit-Power and Democracy" by Major C. H.

Douglas,* and week by week in the *New Age*, where, of course, the details and arguments must be sought.

(15) *Financial control over industry lies in discretionary power to issue necessary Financial Credit: i.e., with the banks, etc.*

(16) *Financial control over the community as a whole springs from inflation of the cost of living when Financial Credit is issued and from the way the issue is cancelled through prices.*

(17) *So that the individual gets proportionately less and less economic power (command over present and future wealth), the producers find it harder and harder to sell their goods, and consequently production tends towards (a) luxuries, (b) constructional goods, (c) capital goods for export.*

From which the conclusion follows, as above, that

(18) *Forced export being inevitable, a World War is inevitable.*

* Cecil Palmer, publisher.

CHAPTER FOUR.

ON PRODUCTION.

Production is now carried on at a low level of efficiency.

EVERY few years the world is presented with arguments to prove that, if industry were properly organized, only a comparatively small amount of human effort would be needed to operate the plant of an up-to-date community in order to produce a high standard of living. To get this we are commonly urged to carry through some sort of socialization of the "means of production, distribution, and exchange." Other books have forcibly shown in what directions the present inefficiency acts, but have largely concentrated on the "waste of competition" and not

on certain other things equally important. Most of them are content to put down the cause as the desire for profits simply, and leave it at that. Among the more sophisticated defenders of our system, also, the frictions of competition are alleged to be the root of the difficulty, and implicitly, if not explicitly, they draw the conclusion that a completer organization of markets, especially through the trust and the cartel, will progressively eliminate them.

Such doubts, however, about either of these solutions as we may gather from the facts that the progress of the trust has not effected more than petty economies and that the observed effects of public trustification have at the most not been so remarkable as to persuade either experts or the general run of people that the solution lies there, are reinforced when we perceive the deliberate nature of this waste and other frictions.

Advertising, for example, has now far outgrown justifiable limits, though it has undoubtedly an element of usefulness.

Indeed, without a fair amount of it it is hard to see how distribution of goods could be secured unless we generally adopted the Programme Theory of production beloved by the Bolsheviks. But with many articles its cost comes to a third of total cost, and with some even to most of the total. Advertising has become an institution, a vested interest, which secures its position by swamping more and more such powers of judgment consumers might be expected to, and did once, exercise, under a torrent of irrational and subconscious preferences nowadays discussed under the rubric of the Psychology of Advertising. The influence of advertisers on newspapers and public life is notorious. Their direct and indirect influence on industry is also very great.

Of the waste usually complained of, I will only give some instances. (1) The supply of almost every article, both of consumable and of development goods, is sometimes excessively below the demand for it, at other times excessively above the

demand. Occasionally this demand is absolute, i.e., given the supplies in the market no one wants any more, and would not want it, were there ample purchasing power available for further buying. But generally the excess is only over the effective demand, i.e., the available purchasing power, and not over the absolute demand. As things are, this excess is bad, but more blame must be attached to the defective system. (2) The adoption of improvements and inventions is not so rapid as it might be, partly through ignorance and partly because the business man is conservative. (3) Cut-throat competition often means the destruction of valuable enterprises and in consequence past effort does not produce the results that it should. The waste of capital through the mortality of businesses is enormous. Another cause of this is (4) the launching of enterprises which are very risky. But the most important item in the catalogue of waste may be said to be (5) the sacrifice of the workers bad to conditions on the plea that trade

makes other conditions impossible, so that they are hurt as individuals and industry as a whole loses efficient operators.

But the competitive system has now been largely replaced by combination of various sorts. We may safely declare that no goods for Final Consumption have escaped the attention of monopoly at some or several stages of their making and selling. Perhaps the only branches of trade that are not largely under monopoly are certain luxuries and a few other things of no importance. Now the very nature of monopoly is to secure such a restraint of trade that prices and, consequently, profits are satisfactory to the monopolists. That is, sabotage is the purpose of its existence. It is true that a trust or cartel may increase its margin of profits without increasing its prices above what the old competition exacted, if it installs better machinery, better managers and experts, closes down superfluous plant, and perhaps reduces its sale costs, i.e., advertisements, etc. But it does not do so to the utmost : (1) because

the most hopeful chance of keeping up the marginal exchange value of its goods, in other words, of getting high prices for them, is to keep them in short supply ; (2) the other method, besides being harder for the financiers running the enterprise to think about and control, would so increase the supply that prices realizable would sink below cost of production, and the concern go bankrupt.

This awful result of unlimited output coupled with a rooted objection to seeing their present equipment rapidly becoming obsolete, ensures that combines do their best to smother or retard, or at least control the use of new inventions. American oil interests have retarded the investigation of fuel alcohol. English oil interests, so it is said, have smothered an admirable substitute for petrol derived from paraffin. The United States Steel Corporation frowned on scientific management, not for its disadvantages but for its advantages. Tariffs are most useful in maintaining vested interests of this sort,

indeed have been described as the choicest weapon in the whole armoury of sabotage. Short supply is now the ruling practice among the producers of rubber, wheat, cotton, silver and certain other important materials. With most of them it is the only alternative to ruin, though the world *needs*, but cannot buy, all they could supply (except, perhaps, rubber).

The word *sabotage* is commonly restricted to certain acts of workmen quarrelling with their employers: putting sand in machinery, turning out bad work, "lying down on the job," and the like. But it should certainly be extended to the whole range of actions which are designed to check the output of goods and services. This particular and unpopular conduct of workmen, like the other much further-reaching conduct, above mentioned, restricts supplies and keeps up prices. Its chief difference is in its stimulation of the prospects of insurance companies.

The same term can also be applied to that general reaction against the system

developed as *ca' canny* and Trade Union regulations about output, where these are not designed, as they often are, to safeguard the workers' health and sometimes the quality of the work done. Their purport is to try to maintain a demand for labour, by hampering the introduction of organization and machines that would render it superfluous, and by shortening the supplies of goods put on the market so as to maintain a demand for them, and consequently for the labour that goes to produce them. In other words, they try to raise the proportion of labour costs to overhead costs. The system so operates that it has been doubted on good grounds whether, if these "reprehensible" practices ceased, the total production of goods and services in a year would be any greater than they are with them. Advertising also may be considered as another device to increase the purchasing power distributed at the time a supply of goods comes on the market over and above what efficiency would allow. And the justification for

workmen and employer is the same ; it is the only means whereby they can continue ; even so they cannot avoid periods of bad trade and unemployment.

Certain economists and scientific managers (industrial engineers, efficiency experts), have made estimates of the degree of inefficiency to which the present industrial machine attains. They vary from 45 to 95 per cent. The experts have innocently put the cause down as ignorance. It is really the price system.

Production is affected cyclically.

During the last century in every country which has adopted modern methods, the rate of production has fluctuated from time to time, or rather perhaps the rate of increase of production has not been steady. These variations have been repeated in an order regular enough to warrant the use of the term Economic Cycles. Needless to say, the fortunes of Labour and, though not so directly, those

of Capital also have undergone simultaneous variation. Most people are familiar with the several phases that make up the cycle: boom, decline, crisis, depression, and recovery. Each cycle has had its peculiar features—which largely accounts for the great number and variety of theories put forward to explain the phenomenon. But some features are common to all, the most impressive of which are the degree of unemployment and bad business which prevails during and after the crisis. They are often so bad that many people lose sight of the fact that these evils are “normal” to our economic life. In the present crisis, for example, much breath has been spent in urging a speedy re-establishment of pre-war conditions.

The total production of goods and services of all kinds is apparently less during a period of bad trade than during a corresponding period of good trade. It is difficult to be sure that this is always so, because the money-unit (pound, dollar, franc, etc.), which is the only standard

generally applicable to economic phenomena is not constant. Their measurement, therefore, becomes a task which we could compare to that of measuring up a pair of boots with a piece of elastic, and the statistical experts quarrel at length over the "interpretation" of the data obtained.

The factors which may start off a new cycle, i.e., lift industry out of the depression, are many, and they may operate singly or together. Among them, be it noted, are tariff changes, wars, and the discovery of new markets. An increase in exports is one of the items in a boom. When a boom starts, the short-sighted hope it will not go the way of other booms, and while the depression is rampant the short-sighted, who include eminent Labour leaders, cherish hopes that it will pass off in a few months. Without some stimulus a depression persists. English trade was depressed over most of the time between 1875 and 1894.

The hundreds of theories range from blaming the wicked Trade Unions or the

absence of votes for women to the elaborate "omnibus" arguments of recent writers, whose aim is to combine the findings of their chief predecessors. With a few exceptions, which are only fragmentary in scope, all the current serious theories seem illogical. For, though there is a strong tendency to agree that cycles are due to some peculiarity of our economic system, and that the more fully fledged industry becomes the more liable it is to this disease, yet they concentrate their investigations on the factors that precede and the phenomena that accompany the cycle, and neglect the general principles of the system through and by which alone these can act and happen. In a rational system some of these factors would be bad, e.g., a poor harvest, while others would be good, e.g., a bumper harvest, or a decline in the need for factory equipment. Some of them, e.g., good harvests, or increased productivity, cannot be avoided, or at least without great forethought. Since many things, which in

the light of mere reason appear to be good, work havoc with our economic prosperity, and many, which by the same light are bad, promote it ; and cycles being a product of such factors acting on the system, we ought to conclude that it is the irrationality of the system that brings such unpleasant results.

Nevertheless, many well-meaning persons insist on trying to check, encourage or manipulate the factors, as occasion suggests to them, in order to stop or cure the trouble. They are not helped by the uncertainty with which the factors act. A good harvest, for instance, may start either a boom or a crisis. Just now they are centring their attack on the Government's foreign policy and its consequences. Lack of foreign markets is asserted to be the chief cause of our woes. It may be—but not in the way they suppose ! But that it is the system and not any arbitrary impediment to its operation that is the root of the mischief, is proved by the fact that the United States, which, in the light

of reason, can easily supply all its requirements from its domestic resources, with no important exceptions but tea, coffee, wool, tin and rubber, and can buy these from the nations producing them with its large surpluses of materials indispensable to those nations, finds itself in no better plight than this country, which, in the light of reason and common knowledge, is very far from being self-supporting.

Since the progress of *industry* does not diminish the disease, but rather increases it, we may once more suspect the maladjustment of *finance* to the physical performance and capacity of industry. We are confirmed in this suspicion when we notice that variations in production depend on variations in demand, so that the problem is one of variation in the ability to sell, and obversely in the ability to buy. This leads straight to the particular flaw in the system from which most of our troubles arise, namely, that it does not satisfy the postulate that, *In any period, the Prices demanded for goods offered in*

the market must be balanced by Purchasing Power held by the market, whatever may be the total of those prices ; in other words, no matter how many goods you may make.

Present productive capacity is equal to a great increase in the standard of comfort.

One pet delusion of the English public, and one very serviceable to financiers and super-productionists, is that this country is impoverished through the War. It is true enough that large numbers of the population are at present in a worse state of destitution than they used to be, but their destitution is not now, as it was not then, due to any lack of the means of abolishing it. What is more, the decline from the well-being they enjoyed during the War has only been rapid since last autumn (1920). The human skill and power required is occupied in lining up for unemployment doles ; the machine capacity of most of our industries is well in excess of what it was before the War ;

the area of the country has not grown less. The countries which supply us with necessary raw materials both for industry and for agriculture are many of them in the desperate plight of not being able to empty their warehouses of the goods sent them in payment in the past, because we are not now placing orders for their current produce. In short, none of the material and indispensable items are absent. Human needs, human power, equipment, technique, and material are on hand. Only the customary methods of associating them have again broken down.

The United States is similarly placed. So are Germany and France, which, despite the ravages of war and famine, are almost, if not quite, as well equipped in industry as a whole as they were. They, too, make great play with poverty, what time those who bewail loudest the devastation of Northern France, take the greatest care to prevent the Germans or anyone else rebuilding it, partly because they want to make the maximum profits out of the job

for themselves, partly because they do not want the restored factories to compete with the new factories established during the War in other parts of the country, and the Germans, with more excuse, point to their starving people, while they extend their dye and chemical works, their electrical works, and their motor works, on a scale without precedent. In all these countries the sole idea of reviving economic life is by extending their stocks of constructional equipment, which is already grossly under-used, or by making goods for foreigners. (Germany is of course preparing to make us the fatal gift of an indemnity.) Is not a revival in the United States expected from orders placed on credit by Brazil and other countries?*

* As an illustration of the way in which our equipment stands idle, take the pig-iron industry. D. H. Robertson, "Industrial Fluctuation," 1915, writes, p. 32: "Indeed in this country even in the most prosperous times a large percentage of the blast-furnaces in existence are out of use"; p. 33, *note*: "A large number of the disused furnaces are no doubt antiquated or unsuitable, but still the British iron-master seems deliberately to keep a large margin of power in reserve."

No further invention is needed to make us rich, though in fact the flow of invention never fails, despite the saboteurs, for invention is almost an instinctive process. Increased productivity is, furthermore, one fruit of practice and experience in co-operative production, so that within certain limits the steady application of given knowledge yields a gradually increasing return.

Efficiency in production being thwarted by the difficulty in making sales, a false efficiency in selling is being developed.

It is an unpleasant fact that in the XXth Century, except during the War, an increasing proportion of effort and thought has been devoted to distributing an amount of goods and services which has increased only negligibly, and seems now not to be increasing at all. Before the War, according to G. B. Dibblee ("The Laws of Supply and Demand," 1912, p. 47), to manipulate the output of Lancashire, "the merchants and warehousemen of Manchester and

Liverpool, not to mention the marketing organization contained in other Lancashire towns, have a greater capital employed than that required in all the manufacturing industries of the cotton trade. It is roughly true to say that nowadays it costs more to sell most articles than to make them." This extravagant growth still goes on. In the United States in the twelve months following the armistice of November, 1918, more than six hundred new schools and colleges of "salesmanship" were started, to train new battalions of advertisers, travellers, canvassers, and the like, and the consumption of paper for posters doubled. If you examine the numberless exhortations to learn how to become "efficient" and "successful," whether in the way of getting an income or increasing business profits, which are at present flooding this country, you will notice what a large proportion of them deal simply with the selling side of industry. This is a false efficiency, because it does not raise the standard of comfort

more than infinitesimally; for its purpose is not to perform the proper function of advertisement, which is to make known the availability of novel additions to the goods people can buy, but to persuade them to spend their money on one thing rather than another of a limited supply.

Increased exertion and skill cannot be relied on to bring increased earnings.

The Trade Union world has a rooted prejudice against piece-rate wages and all methods of remuneration which are alleged to bestow rewards according to results. The reasons it often gives (apart from moral ones) in support of this attitude are: that sooner or later piece-rates are always cut; and that bonus systems universally favour employers' profits rather than men's wages. But of course the arguments of the first and second sections of this chapter provide a much more general and important justification. It is one of the gravest charges that can be

brought against the present, or indeed any, economic system, that it misdirects or nullifies effort which is put forth to gain victory in the struggle with Nature. The present industrial technique makes it necessary and desirable that men should dig out coal or manufacture sulphuric acid, in order that in the future, it may be years ahead, they and their fellows may read a book or obtain a satisfactory meal. But in the meantime, a depression in one particular trade, or a general depression, or a change in the level of prices, or the operations of some monopoly, or something else of an economic but non-industrial character, over which neither they, nor it would seem, anybody else, have control, may render their work useless or even harmful, and jeopardize their welfare by high prices or unemployment or both. By running the industrial machine at a slow speed and by checking as far as possible innovations proposed, they hope to secure some degree of stabilization. When, responding to the chorus of the theme,

“ Production is the Gate to More,” they have laboured harder than usual, the fate that has overtaken them has sounded a warning that is not drowned by the same prophets’ new cantata on the blessings of “ Lower Prices.”

Human power and skill is being thrust continuously out of industry.

The aim of invention and better organization is to exploit non-human rather than human energy, and to concentrate intelligence in the expert on the one hand and the plant on the other. No doubt the skill of the individual worker is, and will always be, very important in some industries, and in some processes in most industries, and complex machinery requires trained operators. But the desire is for the “ fool-proof ” automatic, and it can hardly be denied that the trend is towards the condition found in one Lancashire dye works, where the only intelligence wanted, besides a capacity to obey the simplest orders, is

exercised by the manager and the chemist alone. From the craftsman's point of view this is deplorable, but craft, I think, can only be reintroduced into industry when high technique (and a satisfactory financial system) has secured beyond question a high basic standard of comfort.

As it is, this tendency menaces both the individual and the "society," on whose behalf and for whose benefit he is urged to bear his woes with patience and resignation. He runs the constant danger of being turned loose to half-starve until he finds an inconvenient niche somewhere else. So that it encourages sabotage of the cruder sort, and promotes the growth of salesmanship and similar trades as a device whereby workers not wanted may be provided with some sort of a job, and consequently some sort of an income. The good results it should bring are stamped out by the bad results imposed by the irrational elements in the system.

CHAPTER FIVE.

ON DISTRIBUTION.

THE programme put forward by the Labour Movement as the way to destroy Poverty is essentially twofold : (1) confiscation through taxation, capital levy, etc., of claims to more than a certain amount of income ; (2) socialization of industry so as to increase that income through reorganization. Neither looks likely to happen yet awhile, and so long as the first part is adhered to, we could reject the whole plan on the grounds indicated in the first chapter, viz., that neither the ballot box nor the Revolution will be able to overcome the opposition within a reasonably short time, if at all. Moralists deplore as selfish the refusal of the receivers of rent, interest and profit,

to surrender their claims ; a lament about as useful as the majority of laments over the wickedness of mankind. But these recalcitrants are not without arguments on their own behalf which merit attention. The first, which I have not space to discuss, is that socialization in any of its proposed forms will not bring the results expected from it, and that, consequently, interest and profits are as necessary as wages and salaries, and without them economic life would slow down and collapse ; and that therefore confiscation would be both unjust and harmful. The most important of the others is that a more "equitable" distribution of claims for income would only bring a ridiculously small addition to the incomes of the mass of the community. It has even been argued that anything like an *equal* distribution per family would lower the incomes of the better paid artisans. On the principles now accepted both by most of the Labour Movement and by their opponents, it is difficult to give an adequate reply to this allegation

of national poverty. The dispute, therefore, turns on percentages, and will rage over the question whether prices could be reduced, all things taken into account, by 25 per cent. or only 5 per cent.

What is clear, however, is that no gain to be hoped for from this policy, with its ample promise of delay, obstruction, and chaos, can be equal to the gain from such a change in the economic system as would put a premium on the maximum production of consumable goods and services, and abolish the manifold incentives to waste and sabotage which are now rampant. Moreover, the various schemes for nationalization and national guilds do not clearly and unmistakably establish such a premium. On this fact is based the argument that they would lead to conservative mediocrity in economic life. It is also the cause of suspicions even in the minds of their advocates—suspicions expressed, for example, by the Russian Bolsheviks (under special conditions, it is true) in their clamour for “iron discipline”; and by

Mr. G. D. H. Cole's declaration (Fabian Tract, No. 192, p. 18) that our economic life can only be maintained if the workers believe that "in working they are really serving the community. If that conception won't work then nothing at all will work, and the world will come to an end."

An enormous part of Labour propaganda, especially by champions who make a parade of moral principles, consists of denouncing "parasites," and more particularly those "parasites" who do no "work." It is accepted as an axiom that, except rarely on compassionate grounds, no one ought to be allowed to draw an income unless he "works."

At the 1911 census, the "workers" numbered 20,150,000 in a population of 45,220,000. The males over twenty years of age who were put down as unoccupied (excluding those retired) numbered 260,000, of whom 80,000 were over sixty-five. The unoccupied women over twenty numbered 9,800,000, of whom the vast majority were engaged in looking after

their families. Dr. A. L. Bowley undeniably asserts that "the number of unoccupied persons with incomes over £160 was insignificant."* The abolition of the idle rich could make no very great addition to the national income through adding to the community's resources of skill and power. It would be far outweighed by a single important idea for improving the technique of production.

Neither is it certain that under the present system the increase in numbers would increase the national income at all. Very probably there is a size at which every organization performs its functions best : so that when that size is exceeded inefficiency is just as inevitable as when it is not attained. The nation's productive system is an organization, and I think it could be argued successfully that, like the sections which compose it, it is subject

*"The Division of the Product of Industry ; an Analysis of National Income before the War." Oxford, 1919. p. 13.

after a certain point to the law of diminishing returns, under which no improvement can be achieved merely by adding to the number of operators or to the body of capital equipment employed, but only by a change in methods—quite a different thing. My general argument is that we can at present secure the greatest advance by changing our financial methods, for finance bears on production just as truly as does technology. Thereafter, I would argue, improvement must come from invention and science; to which, however, the financial change would bring liberation.

I would also suggest that, given the present financial technique, our productive system in so far as it works, as it ought to do, for our benefit, has already reached and passed its ideal size. That would give an additional reason for the prevalence of some forms of sabotage. Since 1900 our national income of consumable goods has almost ceased to grow. Not merely had the progress of real wages been checked, but, according to Dr. Bowley, “the check was

not on wages alone," i.e., it applied as well to interest and profits.* Between 1880 and 1911, he says, the share of wage earners in our national income diminished from about $48\frac{1}{2}$ per cent. to $35\frac{1}{2}$ per cent., and their numbers "have been a diminishing proportion of the population," while the class of persons with small salaries, profits, and earnings in other forms than wages has increased. "More of the whole effort of the population has been turned to direction, distribution and exchange, and relatively less to production."† This means that a great deal of it has been devoted to competitive sabotage, with two aims: (1) to provide a livelihood for those for whom production had no niche, and (2) to slow up the system so that it could continue longer. In the United States, also, the share of the wage earners has been falling since 1890.‡

* "The Change in the Distribution of the National Income, 1880-1913." Oxford, 1920, p. 27.

† *Op. cit.*, p. 26.

‡ W. I. King, "The Wealth and Income of the People of the United States," 1915, p. 163.

Much can be said against the "work" theorists. A leading item in the catalogue of waste charged up against the present system is the large number of incompetent managers, foremen, and workers of every grade, who disorganize the industrial army. I cannot conceive what advantage is derived, economically or morally, from making unsuitable people ruin the education system on the pretext that they are teachers, or in making slow and inefficient people operate costly and elaborate machinery even for two hours a day, when they are not necessary to the conduct of industry. Presumably in the morally ideal society, if, as is most unlikely, they were evicted from industry, the first thing to be done would be to put up a few thousand extra factories where they could be found jobs to justify their existence; and with the progress of technology, the process would be repeated continually. The miners' leaders propose to bring the mines up to date by installing new plant. Excellent; but this means the rapid elimination

from the industry of several hundred thousand men. For they certainly cannot cut costs and reduce prices to stimulate a demand which is not likely to expand appreciably, if they have at the same time both to pay for a huge new equipment and to give the same or higher wages to the same number of men.

As things are, the rich and the middle classes, both occupied and idle, and the rest of the population as well, are being milked of their incomes to an appalling extent, through rates, taxes, and the manipulation of the currency, in order to meet public expenditure. This is roughly of four kinds: satisfaction of public creditors; administrative and political; productive, e.g., for education and post office; and compassionate, e.g., for the unemployed. The first is at present rapidly becoming oppressive by the reapproach to Sound Money with its much lauded lower prices; the second, though more and more an insurance against the consequences of our economic system, may be looked on as

natural ; the third has most to be said for it, though most unpopular ; while the fourth seems inevitably increasing.

The number of people who would starve unless the State and other public bodies helped them with jobs or allowances, because the economic system, either permanently or temporarily, cannot find a place for them, is growing larger. Private enterprise is being worn away on one side by monopoly, and on the other must more and more be shored up by the public scaffolding of old age pensions, insurance schemes, unemployment doles, grants to hospitals, poor law institutions, grants and maintenance for children at school, and so on. Vast masses of the general population have their standard of living kept up by steadily increasing subsidies for education, health and housing, for, of course, they can't pay for these things themselves. In the last two years the demand for help has become louder and, now that the system has passed its zenith, will become still louder. The latest phase of this appeal

to the State is the demand that it should help out industries that are falling into stagnation through changing price levels, and provide superfluous workers with "Work or Maintenance." That principle will once again, I have suggested, find its most thoroughgoing application in a new World War, in which "work" without limit will be provided.

At present the victims of high taxation clamour for relief. Perhaps they will get it—at the expense of those to whom the proceeds of taxation supply daily bread. If they do, they will pay for the relief with heavier burdens in the future. Under a saner financial system most taxation could be abolished, and public services be "paid for" in a more tolerable fashion.

CHAPTER SIX.

SOME CONSTRUCTIVE PRINCIPLES.

The object of industry is to secure and enhance the standard of comfort.

IN practice, as it is only through employment that most people get an income, "work" becomes another object of industry. But the law of parsimony (maximum result for least effort) alone is rational. If methods of releasing and applying intra-atomic energy are invented, as they may well be, the great part of our primary and subordinate power-supplying industries will quickly become superfluous. Coal will only be valuable for its by-products. A quarter, or so of

our population, now depending on work in these industries for its income, will lose its livelihood, and if "he who does not work shall not eat" is adhered to, will have no justification for its existence. Modern compassion and prudence will, however, give it "maintenance." The clamour "Work or Maintenance," advanced during the present industrial depression, reduces men to the level of machines quite as definitely as Capitalism. Machines standing idle are "maintained" by oil and coverings. So the last unemployed collier will get £2 or £3 a week till he becomes a watch maker or cinema operator. With such prospects the threatened industries will resist the new invention, from which they will get benefits only in a very remote fashion.

On the other hand, it would be absurd to hand it over to them as compensation, for the community as a whole (i.e., every individual) ought to benefit. So a method of distributing its advantages, otherwise than by starving the miners and mine

owners or creating a vested interest must be employed.*

On a small scale the same problems arise over every improvement in industrial technique. Machine-breaking and obstructions were, and are, rife, for the very simple reason that, despite the consolations of economists, they are an immediate curse to many people. On the "Work or Maintenance" theory they always will be a curse.

Industries making Capital goods are only means to secure the standard of comfort.

Constructional goods (and, to a smaller extent, raw materials) are among the special bugbears of ordinary economists.

* In his book "Self-Government in Industry," Mr. G. D. H. Cole takes pains to refute Sir Leo Chiozza Money's argument that under National Guilds workers in an industry that was decaying would resist adaptation or transference to some other trade. But they both agree the only thing to be done is to make those rendered superfluous find another job.

The characteristics of their supply, demand, and consumption are nowadays counted among the chief causes of industrial booms and slumps. Undoubtedly there occurs at times a superfluity of these goods, which does not spring solely from the fact that nobody *can* buy them. Sometimes nobody *wants* to buy them. Under any system that was not ordered by programmes, such as the Bolsheviks delight in, from time to time very few steel girders or rails would be needed. At the present time there is such a superfluity of ships, and we are faced with the dilemma that if we build more ships we waste time and effort, and if we don't, shipbuilding firms are ruined and shipbuilders have to live on doles. The problem of work as the basis of income consequently arises here as it did above.

The constructional industries (especially iron, steel, and engineering) are now our masters. They are institutions which the community is expected to keep going whether it needs them or not. People

shudder to think we are not producing so much pig-iron as we did. Ruin is supposed to come if the engineering industry has no market in this country (we omit the question of export here), though we only use the equipment we now have to a third of its capacity at the most. They affect home and foreign policy, and it is to be feared that so far from subserving the standard of comfort, the standard of comfort tends to subserve them.

Under a rational system a high rate of unemployment in engineering would signify a healthy state of economic life.

The financial system should encourage maximum production of Final Goods, and should ensure equivalent consumption.

A system that does not encourage the production of the highest standard of comfort stands condemned. The present system puts a premium on restriction of output: "the beginning of wisdom in business and industry is a shrewd moder-

ation in the unemployment of men and machines." It also enforces a disproportionate production of constructional goods. The moralists hurry to defend this policy by preaching the virtues of abstinence, thrift, saving, economy, as though what was the matter was either a scandalous luxury on the part of the mass of the people or an utterly inadequate supply of industrial apparatus.

But a maximum standard of comfort does not mean a monstrous Black Country stretching over England. That is the outcome of Super-Production — a vastly different gospel. We live under a culture of Conspicuous and Competitive Waste, which is deeply rooted (see Veblen, "Theory of the Leisure Class"), and can only be threatened if prosperity is secured. The availability of a high standard, not sermons on asceticism, is the only likely cure for vulgar luxury. That given, we may well have a reaction to civilized, not primitive, simplicity of life.

But it is fatuous to produce without

consuming the product. The only reason for a community not using all its income is that it ought to have a margin for emergencies. Generally this is automatically provided through consumption lagging a little time behind production. Almost all sorts of goods (foodstuffs notably excepted) can be replaced steadily and at short notice if the necessary machinery is ready. It is scarcely more difficult to be certain of food supplies. Balance of production and consumption can only be secured if the total purchasing power in the hands of the community is at least equal to the total prices charged for goods, if the prices are so regulated as to abrogate the Quantity Law of Money, and all inducements to keep goods on short supply are removed.

This can only be done by fixing Prices at a fraction of Cost or by making a direct issue of purchasing power to everyone in excess of their wages, salaries, or dividends. The Price of *all* goods and services comprising the standard of comfort must be so regulated. This regulation must not be

confused with the practices of granting subsidies or working the note printing presses overtime, as is done in Central Europe and Russia. Those methods mean chaos ; they accentuate every evil of our present system, and illustrate the power of Finance over Economic Life.

Gold standard currency must not be revived.

No doubt the currency system which was used before the War, which had to be abandoned during the War, and to which many economists are now urging us to return as fast as may be, on the ground that it would remove many of our woes, was superior to bimetallism and other currencies used previously. But its imperfections are many ; are admitted by many economists, one or two of whom have suggested improvements of a minor sort. Without doubt, also, the Paper Money advocates used only to suggest a system which would work even worse, but theirs is not now the only alternative possible.

Under the gold standard the volume of effective currency (coin, notes, cheques, etc.) varies partly, and at times chiefly, as the stocks of gold vary. As there is not the slightest ground for believing that bullion stocks vary either with the productive capacity of a community, or with the volume of its production of consumable goods, or with the need of currency for business purposes, or, in fact, with any or all of the concrete facts of economic life, actual currency cannot so vary either. Economic life is therefore hampered, and must be hampered.

Inasmuch, too, as a return to "sounder money," by deflation, automatically increases the weight of the *unequally distributed* National Debt, Labour must oppose it.

International trade is, of course, barter, for which gold may well be the best lubricant.

Consumption should direct production.

Put more concretely, the consumer must

be able to buy what he wants as fast as people can be induced to supply it. This applies both to individual consumption and social consumption (e.g., municipal parks, water). The higher the standard of comfort, the less can the items composing it be produced according to programme, whether the programme is formulated under Collectivism, Soviet System or Guild System, by experts alone or in conjunction with consumers' committees. If I want, and can pay for, a Bechstein piano, let us say, or Player's Navy Cut tobacco, I do not want to be fobbed off with some other brand of tobacco or some other make of piano. Even when it comes to coal and bread, the range of choice possible is large. There is little hope that experts, however competent, or a syndicate of producers invested with monopoly, can or will satisfy qualitative or even quantitative demands. But the only justification for spending effort in production is that people will get what they want, not what they must put up

with. As the only way people can know and show what they want is by trial and error, initiative must rest with the producer, but decision with the purchaser. So much is to be said for the "fourteen bakers down one street."

But this does not abrogate the principle of "producer's morality." People now do not get what they want as much as they ought, but at the same time the producer is forced on pain of starvation to supply things he ought not (e.g., certain luxuries, menial and degrading personal service).

Consumption cannot be free unless production is free, which amounts to repudiation of Nationalization as a general principle, while production cannot be free in a somewhat different sense of the word, unless the producer is free from the bondage of "Work or Starve."

CHAPTER SEVEN.

WHAT, THEN, IS TO BE DONE ?

· **A**T this time, when the Labour Movement, both political and industrial, beholds its constituents threatened with the loss of more than all that they have achieved in twenty years as a result of enormous devotion and energy ; when words and gestures are its sole weapons and armour against approaching starvation and serfdom ; it might well turn aside from its routine irrelevancies of canvassing, conferences, and resolutions, to take stock of itself and its ideas, to attempt an estimate of the value of its assets according to the standard of serviceability. Of course, it is doing no such thing. The *Daily Herald* (13th June) summarizes in nine paragraphs what it thinks are the

most important topics on the agenda of the Labour Party's Brighton Conference. Two of them are on welcoming Communism and Communists into the Party; one criticizes the Parliamentary Party; one discusses the Party's money affairs; the other five chide its "enemy" the Government, and recommend to those who are its bitter opponents a change in their plans and an alteration in their conduct! Nor does the agenda anywhere offer to the millions of semi-starving workers anything that is much more interesting or much less futile; save at the very end, which was never reached. The Trade Unions divide their time between attempts to save what they can for their members out of the general wreckage, and heated wrangling about what did or did not happen to the Triple Alliance in the Coal Lock-out. The accredited Intelligentsia of the movement continue to write books on Ireland, nationalization, agriculture, the various Labour Internationals, and the principles of administration by

function ; the menu-cards, in short, of a Labour banquet in the problematic future—a sort of psychological compensation for the bare tables of to-day.

An honest stock-taking would put into cold storage or discard altogether most of the things exhibited in the Labour Programme. Among the throw-outs would be the League of Nations, the Capital Levy, Free Trade, Electoral and Parliamentary Reform, Abolition of the Idle Rich, Prohibition and its various alternatives, and the Right to Work. Everything else which is at present without practical value, either because, however desirable, nothing can be done with it, or because it is irrelevant to the chief problems on hand, or because it simply excites opposition, should be laid aside for inspection and judgment at a more convenient season. Thus little or nothing more would be heard for a time of nationalization of this, that, and the other industry ; nor of a national system of education ; nor of purely administrative reforms ; nor of the problems of Empire ;

nor of self determination of nationalities ; nor of schemes to straighten out the European muddle ; nor of schemes to save the yellow, black, and brown races, before being able to save one fragment of the white race ; nor of the Single Tax ; nor, finally, of proposals to establish " industrial democracy " by getting an essentially obstructive control over workshop and factory conditions, and attempting to " introduce National Guilds thick-end first."

A few flagrant scandals, of which Ireland is the chief, must continue to receive unremitting attention. But the state of Ireland is only in the main a symptom of a deeper malady. The Government does not continue with Black-and-Tans and the other paraphernalia of repression out of " pure cussedness." It has reasons for maintaining at least negative control over the country. These are, in short, reasons of strategy. War with some Power or Powers, in fact, is not such a remote possibility that the retention of Southern Ireland is a matter of comparative indifference.

We have only to ask the question, What Power? and then the further question, Why? to understand that no amount of indignation over atrocities or the rights of nations is going to set Ireland free to become a Republic or any other variety of Independent State, so long as world economics stay as they are. Peace in Ireland might be gained sooner if Sinn Fein were persuaded of this. Ireland is therefore one more argument for a revised Labour policy.*

The task, then, of the Labour Movement becomes fourfold.

(1) It must concentrate its energies on Finance as the nerve centre of economic

* I have left this paragraph as I wrote it before the present (July) negotiations between Sinn Fein and the Government were proposed. The existence for many months in the United States of a raging propaganda against England, using Ireland as its chief subject, but not confined to Irish sympathizers, is probably one reason for their initiation. But according to some reliable observers, the advent of a Labour Government here, with Labour's present policy, though it might remove this basis, would furnish another for agitation against England.

life. It must investigate its present constitution and behaviour, agitate against its defects, and examine all proposals for curing them. Currency and Credit, Cost and Price, must be the focus of its attention. Hitherto it has derived its ideas of these matters chiefly from the enemy. The few contributions towards another system have been Labour Notes and similar puerilities.*

(2) Against the financial oligarchy it must act on the principle, "Divide and Conquer." The oligarchy relies on the witting and unwitting support of the upper and middle classes. So long as Labour sees the enemy, not in the power of the oligarchy, but in the wealth of its supporters, so long will its struggles issue in futility or Pyrrhic victories. The status and income of those classes, especially of

* Incredible to relate, the Labour Note has recently reappeared—in the *Guildsman* (now *Guild Socialist*). A Labour Note system, if workable at all, would encourage sabotage even more than the present one.

the vitally important industrialists, technicians, and professional men, are rather precarious, but, despite the protestation of certain Labour leaders, they only see the Labour Movement as a hostile force which will undermine what independence they feel they enjoy, and make serious inroads on their comfort. Therefore they stand pat for the *status quo*. They can be detached only by outbidding the Vested Interests; that is, by guaranteeing them in their present claims to income. They will have nothing to lose from an improvement in the financial system. If this is repudiated on moral grounds, as a compromise with past and present iniquity, we can only retort that a bird in hand is worth two in the bush.

Note, however, that the development of the Labour Movement into a national, as distinct from a factional, movement, would only be hindered by a political arrangement with Liberalism. Liberalism is several degrees foggier and more impotent than current Labourism. But if

anyone labelling himself Liberal, or Coalitionist, or Conservative, or what you like, should try to assist in the necessary reforms, then let no traditions or shibboleths repulse his co-operation, or condemn his schemes off-hand. The business of Labour is to get things done, not to make a reputation either for itself or its leaders.

(3) Every attempt to break the financial monopoly should be judged sympathetically, and given help if possible. Mr. Philip Snowden was unduly scornful of the Wigan Labour Party's plan for financing housing schemes with Treasury notes. No doubt it was naïve and unsatisfactory. But his anxiety to assist Mr. Sidney Webb in keeping the Labour Movement, "as Lombard Street would say, 'as sound as a bell'" on money matters, would better become a City Editor ("Labour and National Finance," 1920, p. 124f.). His own views on bank deposits (p. 130) are scarcely less naïve, though more satisfactory—to the Banking Fraternity.

In default of wider schemes, the Trade

Unions, particularly those which aim at covering the whole of an industry, should start banking on their own. These banks would not be used to earn profits by ordinary banking practice, but would promote the financial power of the Unions and make preparations for handling the financial requirements of the industries concerned. The Co-operative Bank is not a substitute ; it is just like other capitalist banks in its scope and functions ; though, of course, it is no doubt better to be in its hands than in those of one of the Big Five and their friends. Provided a bank is managed properly and is not concerned to make the highest possible profits, it is not more exposed to the blasts of misfortune if it is small than if it is big. In discussing Trade Union banks, we need not enter into the question of the ultimate and proper basis of financial stability and credit. Their financial resources would be quite as good as those of most banks in the past, for they would consist of such reserves as they accumulated, but chiefly of the

average residue of the wages and salaries paid in through them to the account of the Trade Union members. For Collective Bargaining is logically followed by Collective Payment.

In America such banks are being initiated.

(4) But there does exist a scheme for which the claim is confidently made that its adoption *now* would not merely check the Labour retreat now in progress, but would definitely bring nearer the realization of its aim; by starting the simultaneous and continuous improvement of the status and standard of comfort of its constituents. It appears free from those defects which render propaganda either for nationalization (especially just now) or for blank resistance by strikes, mere waste of ink and breath. For *nationalization*, even of but *one* industry, is only obtainable on terms that would benefit the present owners, leave them free to transfer their power and claims to another sphere, make the general body of taxpayers pay top

price, and leave the Vested Interests at least no weaker than before; it is an administrative change that does not touch the roots of economic life; if it proved mistaken, it could be undone only with the greatest difficulty; applied to one industry, its effects on the others would be insignificant. The *strike* at present simply throws on employer and Government the onus and opportunity of suggesting a "solution," and the terms of reference invariably assume the premises of Capitalism; it seriously aggravates the prevailing misery; not even in the most vital industries can "success" be counted on; it hurts almost the whole community; and any apparent gain means either increase in prices to consumers, or if, as now, price-levels are sinking, the impairment of the industry; lastly, it has to be repeated *ad nauseam et ad infinitum*. Labour "leaders" understand this fairly clearly. Hence the three irrelevant and useless answers to the question, What is to be done *now*?

This scheme is that of Major C. H. Douglas. I shall make no more than half-a-dozen comments.

To begin with, the (theoretical) correctness of his analysis is not a *necessary* condition of the (practical) correctness of his construction, though I believe the analysis to be correct. In the past many inventions have worked satisfactorily and done what was required of them, though the explanations of their inventors have been wrong. Those, therefore, who plead that they cannot understand the analysis, or declare there is a fallacy in it (they don't specify the fallacy), are not justified in repudiating without examination or trial the construction, which can be judged on its own merits.

Next, the scheme is applicable partially; that is to say, it can be tried with one industry at a time, so that its effect can be seen. The only national things required are statistics from the Board of Trade and a strictly defined and contingent credit (not subsidy) from the Treasury. It is

also partial, inasmuch as if it failed after a fair trial, it could be withdrawn, either with no trouble at all or with very much less trouble than the recent subsidy policy of the Government, and need not be undertaken for so long a period.

Then it is unique among schemes for "reforming the world," in that it promises a reduction in the cost of living without any monetary sacrifice by anyone, and, so far from throwing millions of workers on the streets, as every other device for cutting down prices has done, it would immediately absorb the present unemployed in order to meet the released demand for goods and services. Neither does it demand a "change of heart," but rather "the enlightenment of selfishness."

Then it also affords opportunity for experiment in various forms of industrial association. The Guild idea is now gaining favour with Trade Unionists, and is being tried with fair success in the building industry. But the building industry is

very unlike the other industries, and especially in the recent exceptional demand for its product. Nevertheless, not merely is its success in jeopardy from financial conditions which it cannot control, but the changing price levels may ruin it completely in a year or two. In other industries, the actualization of Guilds seems, in the eyes of most of their leading propagandists, to be a matter for a few decades of "encroaching control" and similar tactics. But the Douglas Scheme would not merely save and extend the Building Guilds, but enable similar departures to be taken by the Trade Unionists in other industries. On the other hand, the methods of organization thought by defenders of the present system to be the best, could be tried out under conditions very much more favourable than they have hitherto enjoyed. While in agriculture, where no fewer than five systems are claimed each in turn to be the best, each could be tested properly, and not, as to-day, by unsound competition.

A draft scheme has been specially prepared for the mining industry. (Its terms must be sought elsewhere). It existed in the autumn of 1920, when no one with the slightest acquaintance with the economic outlook believed that the agreement come to between miners and the Government was good for nine months. No one with a similar acquaintance of conditions to-day hopes that any agreement reached on present lines in the 1921 dispute will last or can last nine months. Even if the miners had the nationalization their leaders are so fond of, they would not escape the Serbonian Bog of costs, prices and competitive markets. But no notice has been taken by the miners as a whole of the only suggested solution, not only of their present but also of their future difficulties. Mr. Frank Hodges did begin to grapple with the problem when he talked of Credit. Why did he cease to talk of Credit? Because he was rebuked by the Capitalist Press or by some professional economists, who will rebuke him for everything he may say, as a matter of routine?

It is true that the Miners' Executive appointed a committee to investigate and report on the scheme. It consisted of one miner (Mr. Hodges), and five other persons, whose reputations in the Labour Movement have been built up on propaganda that facts and time have made either obsolete or useless. Of course, they are all advocates of nationalization. By the time they get it, thanks to American competition and the discovery by other industries that some hard thinking will make them largely independent of coal, the coal industry will be derelict, and the miners with it. These people's qualifications are summarized in the *New Age* of 5th May, 1921.

In concluding a book that is frankly destructive rather than constructive, I would offer an answer to the question I put at the beginning, by urging that Labour should endeavour to conduct, or rather co-operate in conducting, an experiment with this scheme. If the mining industry is closed to new ideas, there are

other industries which are now the arena for futile and disastrous conflicts. And to those established leaders of Labour who are convinced that "There's nothing in it," and that to them alone has been granted the true knowledge of the way to the Promised Land, I would recall a remark uttered centuries ago in another crisis: "Bethink ye, that ye *may* be wrong!"

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